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Cooperative Firms as a New Mode of Production

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ABSTRACT *The importance of the notion of 'the mode of production' is emphasised by all those scholars who hold that the 'history-as-totality' approach is the core of Marx's theory of society. Among them, Gramsci argued that while scientific advancements could shed little light on the issues with which philosophers and economists had traditionally been concerned, concepts such as 'social relations of production' and 'mode of production' had provided valuable insights for philosophical and economic inquiry. Hence our interest in the question of whether a system of producer cooperatives would actually lead to the establishment of a new mode of production. Opinions in the matter diverge greatly, and major implications stem from the distinction between worker managed firms (WMFs) and labour managed firms (LMFs), where the latter strictly segregate capital incomes from labour incomes. We conclude that LMF cooperatives do implement a new mode of production because they reverse the typical capital–labour relation right within a capitalistic system. An additional major point addressed in some detail is the main contradiction in capitalism.*

1. Introduction

In a 1935 paper weighing the benefits and shortcomings of Marxian political economy against those of mainstream economic theory, Oskar Lange (1935) argued that the former admittedly fell short of the latter in areas such as pricing and resource allocation, but offered other major advantages: specifically, in addition to bringing to the foreground economic organisation patterns, class divisions in society and different modes of production, it mainly aimed to reveal the laws governing the evolution of human society in a long-term perspective. Gramsci similarly argued that it is not from scientific advances that we are to expect solutions to the problems traditionally explored by philosophers and economists. Philosophical and economics insights have instead come from notions such as 'social production relations' and 'mode of production'. In other words, the strong points of Marxian theory can be summed up as follows: it highlights a sequence of different production modes in history (the mode of the ancients,

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feudalism, capitalism, etc), suggesting that capitalism can hardly be the last link in this chain; and it makes clear that the mechanisms and evolution of each production mode obey specific laws and rules and that individual behaviour is greatly affected by the way production activities are organised.

Those who rate Marx's 'history-as-totality' conception as the true core of his theory of society attach major importance to the concept of 'mode of production'. In Marxian theory, production, distribution, exchange and consumption are different links of a single chain, i.e. different facets of one unit. Commenting on this point in a youthful work on historical evolution, Lukàcs (1968, p. 34) remarked that Marx, much like the German philosophers and chiefly Hegel, conceived of world history as a unitary process and an everlasting revolutionary avenue towards liberation, and that the uniqueness of his approach lay in the way he consistently prioritised a comprehensive global approach.

In the light of these ideas the point to be analysed in this paper is whether an all-cooperatives system would give rise to a new mode of production and whether this new production mode is socialism. The paper is concerned with Marxism, but not with a correct interpretation of Marx's thought. It defines capital in orthodox terms as the mode of production. The paper assumes the reader has some familiarity with the economic theory of producer cooperatives (see Jossa & Cuomo, 1997; Vanek, 1970). In the paper the terms 'cooperative firms', 'labour-managed firms' and 'democratic firms' are used as synonyms. In a cooperative firm, therefore, (a) all decisions about production are made by managers elected by the workers, (b) the firm uses private loan capital only, and (c) the workers appropriate the balance between the firm's total revenues and total production costs.

2. Early Theorists of Cooperatives as a New Mode of Production

When cooperatives arose and took hold in the latter half of the 19th century, there was widespread agreement that they did implement a new mode of production.¹

Robert Owen is widely held to be the true founding father of the cooperative movement. Based on first-hand knowledge of industrial life in Manchester, the ruthless conduct of industrialists and the race for wealth triggered by the ongoing Industrial Revolution in his day, Owen concluded that free competition and the factory system were bound to breed greed, inhumanity and moral decay. On this assumption, he planned new forms of social organisation to do away with competition-based profit. First, he set up 'unity and cooperation villages' that provided jobs to the unemployed; but he eventually came to look upon these communities as a universal regeneration tool and a springboard for freeing the world from competition-based profit systems. He soon found himself the leader of a large movement, but on realising that more and more members of newly-established cooperatives and most of the union representatives

¹The earliest worker-managed cooperatives date back to the times of Guild Socialism, a movement that drew inspiration from ancient medieval guilds and whose prominent supporters included Bertrand Russell and R.H. Tawney.

listening to his speeches had in mind a democratic organisation aimed at helping workers throw off the capitalistic yoke and see to their interests directly, he had to bring his propaganda into tune with their expectations (see Cole, 1953).

Another well-known theorist of cooperation was Charles Fourier (1772–1837). In *Theory of the Four Movements*, Fourier suggested organising social life along cooperative lines founded on principles of universal harmony. He imagined society to be divided into ‘phalanges’: communities of about 1,600 people each, which were to adopt modes of organisation founded on generally accepted rules: communal life, extensive use of jointly owned assets, competence-based distribution of tasks, and so forth.

Pioneers of cooperation include William Thompson, a strong advocate of trade unionism as a tool for cutting the profits of capitalists and furthering the gradual rise of a system of cooperatives to replace existing capitalistic firms. Convinced of the superiority of the cooperative production mode over the capitalistic mode, Thompson (1827) strongly advocated the establishment of a system of producer cooperatives aimed to oust capitalists from the production process.

A major impetus to the growth of the cooperative movement in Italy came from Giuseppe Mazzini, a champion of the country’s unification process who encouraged workers to get rid of the ‘wage yoke’ and become ‘self-standing producers appropriating the full value of production’. To Mazzini, capital was the ‘arbiter of a production system to which it is alien’. As a result, its role was to be taken over by associated labour: associations of workers called upon to see that ‘all their members were given equal voting rights in the election of pro-tempore (i.e. revocable) managers’ and were paid profits commensurate with the quantity and quality of the work input contributed by each of them. This, he argued (Mazzini, 1935, pp. 109, 132), would be ‘the ideal revolution’, since its effect would be to make labour ‘the economic basis of human society’.

All this is clear evidence that Owen, Fourier, Thompson and Mazzini, no less than some classical economists (such as J.S. Mill and J.E. Cairnes), looked upon the cooperative movement both as an option to capitalism and as a new mode of production (see Pesciarelli, 1981, pp. 9–11).² Their idea was shared by Proudhon, who was probably the most powerful voice speaking in favour of the cooperative ideal and whose ‘theory of an anti-authoritarian non-statist type of socialism ... opens up a new course in the evolution of socialism’ (Ansart, 1978, p. 29). Proudhon described capitalism as a close-meshed web of contradictions, the most glaring of which is the oppositional relation between capital and labour. And as he held that these contradictions could not be wiped out within a capitalistic system, it followed that capitalism was beyond reform and had to be overthrown altogether. The watchword ringing through all of Proudhon’s writings is revolution. He called for a socialist order enabling workers to organise production activities autonomously in the workplace. A recurring slogan in his work, *destruam et aedificabo*, suggests that dismantling the private ownership regime and establish-

²Max Adler (1919, p. 10) reports that Saint Simon, Fourier, Owen and other pioneers of modern socialism thought that political change alone was unable to improve the conditions of life of the masses appreciably.

ing a form of emancipatory libertarian socialism were to him the prime goals of any revolutionary movement. Discussing labour appropriation mechanisms, he argued that capitalism was grounded on the opposition between the haves and the have-nots, and on the struggle between capital and labour, and that privately-owned means of production were nothing but loot plundered from workers by rapacious capitalists. Capitalism could not be reformed because the precondition for any reform was the straightforward abolition of hired labour and the exploitation it entailed. Proudhon strongly argued for ‘industrial democracy’ or ‘mutualism’ as desirable forms of social organisation, but rejected ‘state capitalism’ as a system in which means of production are entirely appropriated by the State instead of being assigned to workers as their joint and indivisible property (see Proudhon, 1851; Ansart, 1978).

3. Marx’s Assessment of Producer Cooperatives³

The query raised in Section 1, i.e. whether an all-cooperatives system can actually bring about a new mode of production, was answered by Marx in the affirmative when he wrote:

there was in store a still greater victory of the political economy of labour over the political economy of property. We speak of the co-operative movement, especially of the co-operative factories raised by the unassisted efforts of a few bold hands. The value of these great social experiments cannot be over-rated. By deed, instead of by argument, they have shown that production on a large scale, and in accord with the behest of modern science, may be carried on without the existence of a class of masters employing a class of hands; that to bear fruit, the means of labour need not be monopolised as a means of dominion over, and of extortion against, the labouring man himself; and that, like slave labour, like serf labour, hired labour is but a transitory and inferior form, destined to disappear before associated labour plying its toil with a willing hand, a ready mind, and a joyous heart. (Marx, 1864, p. 11)

And in his ‘Instructions to the Delegates’ at the provisional General Council of the International Working Men’s Association (the First International), Marx (1867, p. 190) spelt out in bold terms:

We acknowledge the cooperative movement as one of the transforming forces of the present society based upon class antagonism. Its great merit is to practically show that the present pauperising, and despotic system of the subordination of labour to capital can be superseded by the republican and beneficent system of the association of free and equal producers.

These quotes clearly show that Marx looked upon an all-cooperatives system not only as feasible, but as bound to make headway in history, as a new mode of production that would wipe out hired labour, and as a system in which privately owned means of production—i.e., capital—would no longer be used to enslave workers. Upon the establishment of such a system, he believed, workers would

³For a more thorough analysis of the issues discussed in this section, see Jossa (2005a).

cease being exploited and, even more importantly, would be willingly working for firms in which they were their own masters.

The cooperative system Marx had in mind was a market system in which workers would strip capital owners of their power to make decisions in matters of production and so would become 'their own masters' (Mill, 1871, p. 739) or 'their own capitalists' (Marx, 1894, pp. 571–572). He defined it as a system 'in accord with the behest of modern science' and hence efficient. And inasmuch as it was a new mode of production arising spontaneously within, and supplanting, the older mode of production, he did not doubt that it would outperform capitalism in terms of efficiency.⁴

The assumption that Marx thought of an all-cooperatives system as a new mode of production with a potential for outperforming and even superseding capitalism is confirmed by several often-quoted passages from *Capital*. The one below appears at the end of an analysis of joint stock companies:

The co-operative factories run by workers themselves are, within the old form, the first examples of the emergence of a new form, even though they naturally reproduce in all cases, in their present organization, all the defects of the existing system, and must reproduce them. But the opposition between capital and labour is abolished there, even if at first only in the form that the workers in association become their own capitalists, i.e. they use the means of production to valorize their labour. These factories show how, at a certain stage of development of the material forces of production, and of the social forms of production corresponding to them, a new mode of production develops and is formed naturally out of the old. (Marx, 1894, pp. 571–572)⁵

However, as a system of producer cooperatives is still a market system, most Marxists tend to deny its potential for generating a new mode of production. As argued by Sweezy (1968), to assume that a free market society turns into a socialist system the moment state-owned means of production are no longer run in the interests of capitalists is tantamount to mistaking legal relations for production relations proper. His main objection was that firms run by small groups of workers manufacturing goods with the aim of placing them on the market and maximising profits were a near proxy for capitalistic production relations. Similarly, in an analysis of worker management Althusser (1995) described producer cooperatives as integral constituents of the capitalistic mode of production that only some utopian mind could mistake for 'forebears' of the socialistic mode of production.

But are Sweezy's and Althusser's objections well-grounded?

⁴Many Marxist theorists suppose that the new mode of production arises within the capitalistic order itself. Among them, Claus Offe (1972) holds that Marxian analyses of public limited companies and cooperation expose a structural mismatch between circumscribed systems of cooperatives established within a capitalistic economy and the logic of capital valorisation.

⁵Andreani (2008, p. 247) has suggested that Marx stood for a combination of producer cooperatives and central planning.

4. The Reversed Capital–Labour Relationship in the Vanek-type Labour Managed Firm

To account for the claim that a producer cooperative system organised in accordance with the rules of economic science amounts to a new production mode it is necessary to start from Jaroslav Vanek's distinction between two kinds of cooperatives. Worker managed firms (WMFs) are firms that self-finance their investments without strictly segregating labour incomes from capital incomes; labour managed firms (LMFs) are firms that finance their investments with borrowed funds (see Vanek, 1971a).

As Vanek himself has made clear, WMFs suffer from a number of shortcomings. One of these is the tendency of majority members to oust minority members in an attempt to appropriate earnings on previous investments. The second major shortcoming of WMFs is underinvestment, a subject addressed in depth in a wide body of academic literature (see, for example, Furubotn, 1976, 1980; Furubotn & Pejovich, 1973). The most relevant point for our analysis is the third shortcoming of WMFs, i.e. the fact that capital-labour relations are reversed in LMFs, but not in WMFs, because the idea of a firm in which labour hires capital (by borrowing investment resources), runs production activities and cashes the surplus is only applicable to a cooperative that separates labour incomes from capital incomes (see Dubravcic, 1970; Jossa, 1986; Srinivasan & Phansalkar, 2003). In other words, as this description does not apply to WMFs, an anti-capitalistic revolution can only be triggered by a system comprised of LMFs, which are firms that do reverse the capital–labour relation.

The anti-capitalistic firm proper is thus the LMF, and the fact that existing cooperatives are mostly of the WMF type may explain why those wishing to establish a new mode of production are seldom attracted to the cooperative form.

An 1865 study by Walras on cooperatives in his day (the time of Marx) may shed further light on this point. Starting from the conventional supposition that land, capital and labour are the three main sources of wealth, Walras argued that individuals strive to accumulate ever greater amounts of all three types of wealth. This led him to define economic progress as the piecemeal expansion of every individual's access to all these categories of wealth and, specifically, as the expansion of capital ownership by workers (Walras, 1865, p. 14). Moreover, he concluded that the formation of cooperatives was ultimately aimed at helping workers to acquire capital through their savings (Walras, 1865, p. 7).

Walras's approach may explain why Marxists seldom concerned themselves with cooperatives.⁶ Moreover, his account of the perception of cooperation in his day reveals why Marx categorised cooperatives as firms where workers are 'their own capitalists' and why later Marxists endorsed Karl Korsch's definition of an all-cooperatives system as 'producer capitalism'.⁷ A system of firms that

⁶Many theorists of cooperation hold that in cooperative systems capital and labour are still overlapping (see, *inter alia*, Stefanelli, 1975).

⁷In some of his writings, Marx (e.g., 1894, pp. 178–179) claimed that the ultimate goal of the working members of cooperatives was to become owners of the means of production.

ultimately breeds nothing but a different form of capitalism is barely worth battling for.

A short glance at the history of the cooperative movement will confirm the relevance of these reflections. The proceedings of the earliest meetings of the First International reached markedly pro-cooperation conclusions, and the 1868 Brussels Congress sustained a pro-cooperation motion that had been put forward with specific reference to the long-standing 'machinery issue'. On the question of who was to own the means of production, many of the delegates argued that capital goods had always been used to exploit and enslave labour and that it was high time they were turned to the benefit of the working class by giving them to workers as their property.

However, whereas some saw producer cooperatives as the tool to attain this goal, others objected that the appropriation of the means of production by the working class was likely to breed a new form of capitalism. At the Brussels Congress, a committee appointed to probe more deeply into this matter denounced interest-bearing capital accumulation and dividend distribution as practices that would perpetuate capitalism to the exclusive advantage of a portion of the working class and give rise to a sort of 'fourth estate' with bourgeois characteristics (Cole, 1954).

5. A 'Querelle' between Godelier and Sève

The idea that reversing the existing capital–labour relation is tantamount to changing the means of production is consistent with the assumption that this relation is the crucial contradiction behind capitalism. A dispute between Lucien Sève and Maurice Godelier has some bearing on this connection.

Starting from the strict separation of economic science from ideology in Marx's scientific approach to the contradictions of capitalism, Godelier argued that the need to identify the main contradiction inherent in capitalism arose in connection with Marx's claim that a new mode of production would arise the moment this main contradiction was superseded.

To a structuralist theorist of capitalism such as Godelier, the most glaring of all contradictions was the conflict of interests between capitalists as a class and workers as a class, whose origin he traced to two main causes: capital ownership was vested in capitalists as a monopoly and denied to workers, and the profits earned by the former amounted to the value of the work for which the latter were not remunerated (see Godelier, 1966, p. 29). And as this state of affairs is intrinsic to capitalistic production relations and specific to capitalism, he argued, the resulting conflict is bound to last as long as capitalism itself.

On closer analysis, though, in Godelier's approach the crucial contradiction of capitalism is not so much the labour–capital antagonism proper, as a mismatch between the social character of productive forces and the private nature of the means of production, which he held to be external (not internal) to the mode of production and to result from the structural contradiction between increasingly socialised productive forces and persistently private production relations. In Godelier's opinion, this additional contradiction was not coeval with capitalism:

it arose at a given stage in the evolution of productive forces, specifically upon the rise of industry.

Sève (1967, p. 66) found parallels between Godelier's approach and Marx's writings, where the mismatch between productive forces and production relations is said to have arisen at a given stage of history, and revolution is described as the clear sign that the threshold of tolerance had been overstepped. Despite these similarities, though, Sève rejected Godelier's approach. He objected that downscaling the capitalist–worker antagonism to a non-crucial contradiction was tantamount to downgrading the role of class struggle as the main driving force behind revolutionary change. Far from assuming that the evolution of productive forces would solve this crucial contradiction as a matter of course, Sève argued, Marx emphasised the crucial role of the revolutionary efforts of the working class and its allies; the dynamics behind such antithetic production relations were central to Marx's analysis (see Sève, 1967, p. 67). And as Marx thought of class struggle as the only way out of this contradiction, from a strictly Marxian vantage point Sève rejected the implication that the intrinsic contradictions of capitalism would not themselves generate the conditions necessary for their solution (Sève, 1967, p. 67). In Marx, he added, the dynamics behind the evolution of productive forces would clash with production relations from within, rather than from without, because they self-generated the external and internal prerequisites for superseding class antagonism.

Sève's closing argument was that Godelier had failed to put the basic concept of the mode of production into the right perspective. In Marxian theory, a mode of production is not a loose aggregation of elements 'entirely distinct' from one other. It is a compound of productive forces and production relations generating a close-meshed web of interconnected contradictions. Concluding, Sève saw the main contradiction of capitalism as internal to the mode of production itself, rather than as an external opposition between distinct and independent structures.

6. Revolution as the Reversal of the Capital–Labour Relation

In Marx, the subversion of the traditional capital–labour opposition triggers a revolution proper, and provided we accept his claim that the severest contradiction in capitalism is the capital–labour antithesis, we will realise that revolution is a radical change in production relations (not only in legal forms, as argued by Sweezy): by reversing the roles of capital and labour within it, revolution sets off the instantaneous collapse of the existing mode of production. In a capitalistic system, the rules governing production and the motive to maximise profits are outgrowths of capital. The moment the capital–labour relation is capsized and capital starts being managed in accordance with rules set by labour, man will acquire control of the conditions of production and regain mastery over what he himself has created.

If we think of capital as a thing, and not as a social relation, the 'capitalism as an upside-down world' view and the description of revolution as reversing the capitalistic capital–labour relation will be recognised for what they are: truly scientific propositions. Indeed, the view of capitalism as a reversed world has the same scientific standing as the distinction between living individuals and inan-

imate objects. In terms of scientific standing, it is on a par with Keynesian underconsumption, the separation of ownership and control, the scientific revolution and other notions that today are widely accepted in mainstream economics.

The same scientific standing adheres to the claim that reversing the capitalistic capital–labour relation amounts to carrying through a real and proper socialist revolution. What we term ‘revolution’ is, we repeat, a change of the existing mode of production and, provided we hold the notion of the ‘mode of production’ to be scientifically grounded, the idea that the establishment of a system of producer cooperatives brings about a socialist order, because it reverses the capitalistic capital–labour relation, must be categorised as a scientific proposition.

One of Marx’s major teachings is that those who control production control men’s lives because they own the tools men need to pursue whatever aim they have in mind. On closer analysis, the idea that revolution is nothing but the hand-over of means of production from capitalists to workers and the concomitant disempowerment of capital receives further confirmation from this notion. In Gramsci’s words (1921, pp. 148–149), ‘the control issue is the issue of industrial power, of deciding whether industrial planning is to play into the hands of bankers and stock gamblers or serve the interests of the masses; in other words, whether planning tasks are to be vested in the servants of capitalists or the trustees of the working class’.

This conclusion is called into question by those who hold that the most glaring contradiction in capitalism is the antithesis between the private essence of appropriation (the very basis of privately-owned means of production) and the socialised essence of production in large-size factories (where hundreds and even thousands of workers see to their jobs side by side) (see Marx, 1894, pp. 373, 375, 567 ff). The fact that the contradiction ‘between socialised production and capitalistic appropriation’ was first described by Engels in *Antidühring* (Engels, 1878, pp. 260–261) as ‘an antagonism between the organisation of production in the individual workshop and the anarchy of production in the society as a whole’ offers scope for arguing that an anti-capitalistic revolution can be looked upon as the transition from anarchical markets to organised planning.⁸

A different, although equally broad approach to the contradictions of capitalism is suggested by Bettelheim (1971), who thinks of progress towards socialism as a process marked by increasing worker control over production and over living conditions in general, and of planning as a tool for attaining such control. Terms such as ‘plan’ and ‘market’, he argues, are empirical, rather than scientifically argued notions, and what really matters is not so much if the economy is governed by plans or markets, as the true nature of the class holding power.⁹ And, we emphasise once again, if the capital–labour conflict is actually the main contradic-

⁸Panzieri (1962, pp. 346, 362) points to a conflict between Book I of *Capital* and other works by Marx. In *Capital*, the opposition between ‘despotism (planning) in factories and anarchy in society’ is described as ‘the general form of the law of value’; elsewhere, we can detect the germs of a different approach.

⁹For a comparable, though earlier, approach see Lenin (1921); for Kautsky’s idea of the capital–labour opposition as the main contradiction in capitalism see Panaccione (1974).

tion in capitalism, triggering the reversal of this relation amounts to a revolution proper.

While theorists who distinguish between revisionists and revolutionaries based on whether they think of the State as an even-handed institution or as a power structure to be overthrown with the turn to socialism tend to reject this conclusion, to me it seems clear that the moment revolution is equated with a change in the mode of production, a system of producer cooperatives that reverses the capital–labour relation will result in a revolution even if it should fail to overthrow the State.¹⁰

7. Competition in a System of Producer Cooperatives

The opinion that a system of producer cooperatives is a new mode of production is confirmed by the stark differences between the cooperative and capitalistic modes of work. One such difference is related to unemployment. Two main types of unemployment would be unknown in an all-cooperatives system: high labour-costs unemployment (because wages in cooperatives are nought by definition) and Keynesian unemployment (since the response of workers empowered to make decisions in the face of an impending crisis would be to reduce their working hours instead of leaving themselves or their fellow workers jobless); see Jossa (2003, 2009).

Another major difference between the working modes of these two systems has to do with competition. In a capitalistic system, competition is closely associated with what Marxists term the laws of capitalist production. ‘Free competition,’ we read in the *Grundrisse* (Marx, 1857–58, Vol. II, p. 38), ‘is the relation of capital to itself as another capital, i.e. the real behaviour of capital as capital . . . the free development of the mode of production based on capital, the free development of its conditions and of its process as constantly reproducing these conditions. In free competition, it is capital that is set free, not the individual.’ From this follows ‘the absurdity of regarding free competition as the ultimate development of human freedom, and the negation of individual freedom as equivalent to the affirmation of individual freedom and of social production based upon individual freedom. It is merely the kind of free development possible on the limited basis of the domination of capital’ (Marx, 1857–58, Vol. II, p. 40).

For those who share these views (which are unobjectionable even from a non-Marxist vantage point), there arise two interesting questions: (i) whether a system of producer cooperatives will tend to be more or less competition-based than capitalism; and (ii) which of the two systems will perform better. Vanek suggested that competition in an all-cooperatives system would hardly be less efficient than in

¹⁰The claim that revolutionists should not take over the power positions they have just dismantled is endorsed by those who think of revolution as enhancing democracy in the firm, i.e. as a movement that disempowers capital without establishing a new power structure, but the approach we are discussing has been rejected by many theorists (see, *inter alia*, Dinerstein, 2005; Löwy, 2005) on the assumption that it fails to mention such a crucial goal as democracy.

capitalism, although it would certainly be less aggressive. The gist of his argument was that capitalist firms and cooperative firms would head in different directions on reaching optimal size: the former were likely to pursue further expansion and set up ever more new workshops in an effort to maximise profits; the latter would not deem such expansion expedient because it does not maximise the *per capita* incomes of their members. Unlike other forms of market systems, Vanek (1971b, p. 27) concluded, a participative economy would quite naturally tend to adopt the 'live and let live' principle and suffer no appreciable losses in the process.

Neither Vanek nor other theorists, though, have touched upon the one subject that has the greatest bearing on the point of the present paper. As is well known, competition in capitalistic markets is much more of the nature of a stick than a carrot, where the stick is the risk of insolvency faced by firms unable to cope with competition. In our present social order, insolvency is the way out of a trap in which weaker firms are caught when they see their bottom-line results eroded by escalating costs and falling competitor prices. Conversely, as cooperatives do not pay wages proper, they are in a position to avert excessive cost pressures. The reason cooperatives face lower insolvency risks is that they can make up for competition-related losses by reducing the earnings of their members. And because the members of a cooperative have the option of boosting their incomes by increasing their work inputs or reducing work hours and incomes, they will not contemplate winding up their firm as long as the downward trend in incomes is tolerable (for further discussion of this issue, see Jossa & Cuomo, 1997, pp. 246–253).

In other words, in a system of cooperative firms, competition would continue to act as a carrot but hardly ever as a stick, and markets, no longer conditioned by the laws of capital, would allow greater freedom of choice in decision-making. Moreover, when bankruptcy is a minor risk, coercion also loses its grip and choices can be made in more freedom.

This may explain why Lenin was a stout advocate of competition in a social order freed from the conditionings of capital and why he wrote:

Bourgeois writers have been filling pages and pages with slogans in praise of competition, private initiative and a variety of supposed virtues of capitalists and capitalistic regimes. Socialists are disparagingly described as unreceptive to such virtues and wanting in awareness of the 'true essence of humankind'. But . . . socialism, far from stifling competition, offers the unprecedented opportunity of clearing the way towards large-scale and even *mass* competition. (Lenin 1917b, p. 1027)

Competition must be carefully organised among practical operators, workmen and peasants, while the tendency to standardise articles by casting them in the same mould or enforce uniformity by virtue of top-down commands should be discouraged by any means. . . . All 'communes', workshops, villages, consumer cooperatives and procurement committees are expected to engage in competition with one another. (Lenin, 1917b, pp. 1033–1034)

Lenin's line of reasoning has one obvious implication: as markets in a system of democratic firms would be freed from the conditionings of oppressive forces, they would allow more freedom of choice, and this is enough to refute both the

criticisms of radical Marxists and Sweezy's and Althusser's opinion that capitalism and market are two facets of the same coin.

Marcuse (1964) distinguished between true and false needs. 'False' needs are those that perpetuate toil, misery and injustice. In essence, they are socially determined since they arise under the pressure of external forces outside the control of individuals and still are what they used to be right from the start: outgrowths of a society whose ruling forces call for repression. However, the moment capital is disempowered, the external forces man is unable to control will simply vanish. Modes of competition that perpetuate fatigue, aggressiveness or misery will be discarded and men and women will be free to decide if they wish to work harder and boost their earnings or, conversely, reduce their work effort and put up with the cuts in incomes that this necessarily entails. Competition will not be wiped out altogether, but its grip will be loosened since the penalty for those losing ground in the competitive race is no longer the spectre of bankruptcy.

8. Reflections on Historical Materialism

Against this background, I will now attempt an assessment of historical materialism in the light of the recognised keystone of Marxian theory: the mode of production as the underpinning of material life. A seldom-quoted 1978 book by Corrigan, Ramsay & Sayer (Corrigan et al., 1978) and a series of lectures by Sweezy suggest an unusual approach to Marx's analysis of modes of production. These authors do not deny that the notion of mode of production was one of Marx's major achievements, but they strongly object to Althusser's claim that its importance lay in enunciating a general law to account for the way modes of production emerge, assert themselves and die out. In support of their argument they quoted a passage from *The German Ideology* (Marx & Engels, 1845–46, p. 35): 'empirical observation must in each separate instance bring out empirically, and without any mystification and speculation, the connection of the social and political structure with production'. They interpret this passage as ruling out the existence of a single law governing a unitary historical path behind different modes of production—despite evidence to the contrary in the *Communist Manifesto* (Marx & Engels, 1848).¹¹

Sweezy's opinion has been mentioned because it offers an opportunity for arguing that free will would be given much more scope in a system of democratic firms than it has ever had in any other system to date. In Sweezy's article, the primacy of production and, hence, of 'being' over consciousness in capitalistic societies is traced to the fact that the mechanisms governing commodity production in this specific societal form are necessarily regulated by the laws of capital. If this holds true, it follows that historical materialism would not apply

¹¹The laws put forth by Marx and Engels, argues Sweezy (1983, p. 17), 'are only applicable to capitalism. In other production modes, there are no *a priori* reasons for assuming that change will originate from production or gain impetus from it.' According to this view, therefore, neither the well-known base-superstructure relation nor historical materialism as such is necessarily applicable to all modes of production.

to a system of democratic firms where the reduced insolvency risks and less competitive climate fostered by the disempowerment of capital would enable workers to organise their society as they wish, and where 'being' would again be determined by consciousness.

According to Marx & Engels (1845–46, p. 438), in a capitalistic society 'the domination of material relations over individuals and the suppression of individuality by fortuitous circumstances has assumed its sharpest and most universal form, thereby setting existing individuals a very definite task: ... replacing the domination of circumstances and of chance over individuals by the domination of individuals over chance and circumstances'. And the reversed capital–labour relation in economic democracy is a fair proxy for this type of replacement.

The weaker grip of economics on social life reduces the role of commodities produced for their exchange value, and fosters the primacy of production for the sake of the use value of goods. In an intriguing analysis of this issue, Lukàcs (1971) divides the evolution of *kultur* into three periods: pre-capitalism, capitalism and a classless society. In capitalistic systems, Lukàcs argues, *kultur* is bereft of all autonomy. It even ceases to exist because all artefacts are turned into commodities, and the necessary conditions for meaningful work and for the spiritual dominance of man over the environment—i.e., for *kultur*—can be re-established only by abolishing reified relations, i.e., at a stage when society is no longer conditioned by economic factors.

9. The Potential of Capital versus Science

The last point to be discussed has probably the greatest bearing on the line of reasoning developed in this paper. As society moves forward, technological progress is expedited by the growing role of such basic factors as knowledge, science and process innovation in production. Provided the well-known Saint-Simonian prediction that applied science was bound to acquire primacy (an idea that was later taken up by Marx in the *Grundrisse*) is proved true, the role of capital or labour as the primary driving force behind production will be taken over by knowledge. As a result, the question of whether the management of firms ought to be vested in capitalists or workers, and the issue of the revolutionary reversal of the capital–labour relation would both become of little consequence.

In the *Grundrisse*, Marx (1857–58, Vol. II, p. 90) wrote that

in the degree in which large scale industry develops the creation of real wealth becomes less dependent upon labour time and the quantity of labour employed than upon the power of agents set in motion during labour time. Another power—their *powerful effectiveness* ... depends, rather, upon the general level of development of science and the progress of technology, or on the application of the science and the progress of technology, or the application of the science to production.

Thanks to this transformation, he argued a few lines further on, 'no longer does the worker interpose a modified natural object as an intermediate element between the object and himself. ... He stands beside the production process, rather than being its main agent.' Marx concluded that 'the development of fixed capital shows the

degree to which society's general science, *knowledge*, has become an *immediate productive force*, and hence the degree to which the conditions of social life process itself have been brought under the control of the *general intellect*, and remoulded according to it' (1857–58, Vol. II, pp. 91–92).

Claudio Napoleoni (1985, pp. 75–78) has described Marx's analysis of machinery in the *Grundrisse* as the only theoretical approach in which the collapse of capitalism was linked to the labour theory of value. Napoleoni also drew attention to Marx's description of pre-capitalistic societies as those in which the tool functioned as the intermediate term between labour and nature, with labour acting as the initial term, and capitalistic societies as those in which the introduction of machinery reversed this relation, making labour the intermediate term between machinery and nature and the machine the initial active term determining the workman's activities. In Napoleoni's view, this raised the question of whether the reversal of the man–tool relation in capitalistic production processes (as a result of which tools cease being tools) meant that machines had become neutral implements that can neither be put in the service of man (as happens in democratic firms) or used to enslave him. Napoleoni answered this question in the negative, because for machinery to be neutral the capitalistic man–tool relation would have to be reversed 'just metaphorically', whereas Marx had spoken of a material occurrence that 'cannot be assumed to affect neither of the terms of this reversed relation' (Napoleoni, 1985, p. 82).

If Napoleoni is correct, as we believe he is, it follows that the growing role of science in production has no bearing on the capital/labour option in the management of firms.

10. Settembrini and the Advent of Machines

In his analysis of the Marxian view that the advent of machines marks the point in time when science takes the place of labour as the active factor in production, Domenico Settembrini (1973) argues that socialism will evolve into social democracy as soon as science comes to occupy centre stage, and that upon such an occurrence revolution would become unnecessary (the same argument is made by Negri, 1979, pp. 148–159, and by Sève, 1996).

In Marx's thought, Settembrini identified two alternative approaches, one of which was a peaceful, democratic and evolutionary form of socialism. Although the individual constituents of Marx's approach are barely original in themselves, he argued, in combination they make up a 'highly original synthesis' blending elements of Saint-Simon's science-based socialism with a critical approach to capitalism drawn from the works of Sismondi and Buret to which is added a revolutionary twist (Settembrini, 1973, p. ix; see also Avineri, 1968).

The form of socialism that Marx and Engels theorised, Settembrini argued, would align with Saint-Simon's if they 'had not vested an active role in the workers' party and the organisational forms devised by labour to conduct its struggle: trade unions, cooperatives, strikes' (Settembrini, 1973, p. ix). In sum, Settembrini's claim was that Marx and Engels had theorised the first post-revolution phase—socialism—'in strict accordance with a Saint-Simonian approach', that is to say as a social democratic process, and that their 'call for a rebirth of

society and the integral abolition of markets, money and private property' boiled down to 'pure reformism' (Settembrini, 1973, p. x). Concluding, Settembrini raised the following question: if socialists are prepared to subscribe to the teachings of Sismondi and Saint-Simon to the point of subordinating politics to science in line with Enlightenment principles, what point is there in tracing the influence of the Enlightenment on Western culture to Marx instead of emphasising this much more straightforward link?

Settembrini's approach is marred by manifest weaknesses. The process he categorises as social democracy is a peaceful, democratic and evolutionary view of socialism which does not reverse the capital–labour relationship; i.e., it preserves the capitalistic mode of production. In fact, Marxian socialism is a real and proper revolutionary movement marked by the advent of a new mode of production which will result either in the piecemeal abolition of markets and private property or in the substitution of worker-run firms for enterprises that up to then were run by capitalists.¹²

Concerning the subject of the real driving factor behind production, to under-rate the role of science would be a mistake, but it must be emphasised that science can be put in the service of either capital or labour. As mentioned above, the main advantage of labour management is to strip capitalists of their decision-making powers and thereby translate political democracy into practice (see also Jossa, 2005b, ch. XI). My argument, in this paper, is that the main reason capitalism is objectionable is that firms are run in the interests of capitalists. Evidence of this is provided both by the persistence of unemployment and by the contrasting attitudes of capitalistic as against democratic firms to looming crises: the former will not hesitate to fire workers for the sake of boosting profits; the latter will tend to cut work hours in an effort to avert destaffing. In capitalistic systems, capital is the tool whereby the bourgeois class exercises its power over the economy and

¹²A glance at the origins of the socialist movement can shed some light on the socialism–liberalism opposition. Historically, the term 'socialist' was affixed to a movement that spread among the industrial proletariat around the mid 19th century. As is well known, the true driving force behind the French Revolution was a strongly individualistic view of society that served the interests of only a small portion of the population. Socialism arose in opposition to this view. From the perspective of early socialists, individualism was to be rejected in the name of the proletariat, because to the proletariat the form of freedom extolled by the French Revolution was nothing but the right to sell one's work and put it in the service of others. In other words, early socialists claimed that slogans such as economic freedom or freedom backed by the law of markets were bereft of meaning to proletarians, that freedom in these forms worked to the exclusive advantage of those who owned the capital resources needed to organise economic activity, and hence that they generated benefits for just a few owners to the exclusion of the proletariat, by definition a class of have-nots. Especially in Europe, where prospects of acquiring property were open to all in theory only, a conflict between liberalism and democracy was therefore inevitable. It cannot be denied that socialism has links to the French Revolution, but right from the start it stood for a different form of revolution that would have to be implemented in the name of the proletariat rather than the bourgeoisie.

over life as a whole; this is why labour will not be set free until capitalists are deprived of their power to manage firms.

The upshot of all this is that the growing role of science in production has no bearing on the capital/labour option in firm management.

11. Conclusion

The reason worker management generates a new mode of production is that the reversed capital–labour relation marks the end of capitalism, the system that arose when wage labour became the rule and which is sure to last until the abolition of wage labour.¹³ From a Marxian vantage point, the main contradiction of capitalism is a conflict between the interests of capitalists and workers. The preceding discussion suggests that since self-management entails the collapse of capitalism as a matter of course, the market nature of a labour-managed system is not at odds with its classification as a new mode of production.

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¹³In Lenin's words (1917a, p. 105), when democracy is implemented to the fullest and most consistent extent conceivable, it turns from bourgeois democracy into proletarian democracy, from the State to something which is no longer the State proper. This statement of Lenin's, which has aroused much debate, reflects the view that revolution, the collapse of capitalism, implements democracy to the fullest degree and in the most consistent manner conceivable.

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